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Attorneys for KPMG LLP,
Tax and Transaction Services
Advisors to Debtors

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re:	: Chapter 11
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DELPHI CORPORATION, et al	: Case No. 05-44481 (RDD)
	:
Debtors.	: (Jointly Administered)
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SUMMARY SHEET PURSUANT TO UNITED STATES TRUSTEE
GUIDELINES FOR REVIEWING APPLICATIONS FOR COMPENSATION
AND REIMBURSEMENT OF EXPENSES FILED UNDER 11 U.S.C. § 330

FIRST INTERIM APPLICATION

NAME OF APPLICANT:	KPMG LLP
TIME PERIOD:	October 8, 2005 through and including January 31, 2006
ROLE IN THE CASE:	Tax and Transaction Services Advisors to Debtors
DATE OF FINAL RETENTION:	March 8, 2006 <i>nunc pro tunc</i> to October 8, 2005
CURRENT APPLICATION:	Total Fees Requested: \$ 1,439,122.50 Total Expenses Requested: \$ 17,631.00
PRIOR APPLICATIONS:	N/A

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DELPHI CORPORATION, et al	:	Case No. 05-44481 (RDD)
	:	
Debtors.	:	(Jointly Administered)
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**FIRST APPLICATION OF KPMG LLP, AS TAX AND TRANSACTION
SERVICES ADVISORS FOR THE DEBTORS, FOR INTERIM ALLOWANCE
OF COMPENSATION FOR PROFESSIONAL SERVICES RENDERED AND
REIMBURSEMENT OF ACTUAL AND NECESSARY EXPENSES
INCURRED FROM OCTOBER 8, 2005 THROUGH JANUARY 31, 2006**

TO THE HONORABLE ROBERT D. DRAIN,
UNITED STATES BANKRUPTCY JUDGE:

KPMG LLP, a professional services firm, tax and transaction services advisors to the Delphi Corporation, and certain of its subsidiaries and affiliates, debtors and debtors-in-possession in the above-captioned cases (the "Debtors"), submits for its first application (the "Application"), pursuant to sections 330(a) and 331 of title 11 of the United States Code (the "Bankruptcy Code") and rule 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), for the interim allowance of

compensation for professional services performed by KPMG LLP for the period commencing October 8, 2005 through and including January 31, 2006 (the “Compensation Period”), and for reimbursement of its actual and necessary expenses incurred during the Compensation Period, and respectfully represents:

Background

1. On October 8, 2005 (the “Petition Date”), 39 of 42 Debtors, and on October 14, 2005, the remaining Debtors, commenced a case under chapter 11 of the Bankruptcy Code. The Debtors are authorized to continue to operate their businesses and manage their properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

2. This Court entered orders directing the joint administration of the Debtors’ chapter 11 cases under Bankruptcy Rule 1015(b) (Docket Nos. 28 and 404).

3. On October 17, 2005, the Office of the United States Trustee (the “U.S. Trustee”) appointed an official committee of unsecured creditors (the “Creditors’ Committee”). No trustee or examiner has been appointed in the Debtors’ cases.

4. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409. This matter is a core proceeding under 28 U.S.C. § 157(b)(2).

5. The statutory predicate for the relief requested herein are sections 330 and 331 of the Bankruptcy Code and Bankruptcy Rule 2016.

KPMG LLP Retention

6. On February 16, 2006, the Debtors filed an application, dated February 14, 2006, pursuant to sections 327(a), 328(a) and 1107(b) of the Bankruptcy Code and

Bankruptcy Rule 2014, for authorization to retain KPMG LLP as tax and transaction services advisors to the Debtors, effective nunc pro tunc to October 8, 2005 (the “KPMG Retention Application”), pursuant to the terms of the engagement letters as described and defined therein (the “Engagement Letters”). On March 3, 2006, the Court entered an order approving the Retention Application pursuant to the terms of the Engagement Letters, effective nunc pro tunc to October 8, 2005 (the “KPMG Retention Order”).¹

**Summary of Professional Compensation
And Reimbursement of Expenses Requested**

7. This Application has been prepared in accordance with (i) the Amended Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases, adopted by the Court on April 19, 1995 (the “Local Guidelines”), (ii) the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, adopted on January 30, 1996 (the “UST Guidelines”) and (iii) the (A) Order Under 11 U.S.C. § 331 Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals, dated November 4, 2005 (the “Interim Compensation Order”), (B) Supplemental Order Under 11 U.S.C. § 331 Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals, dated March 8, 2006 (the “Supplemental Interim Compensation Order”), and (C) Second Supplemental Order Under 11 U.S.C. § 331 Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals, dated March 28, 2006 (the “Second

¹ On April 20, 2006, the Debtors filed a supplemental application for approval of tax and advisory services to be provided by KPMG LLP to the Debtors, dated April 20, 2006, for services supplemental to those approved under the KPMG Retention Order (the “KPMG Supplemental Application”). The objection deadline for the KPMG Supplemental Application is May 1, 2006.

Supplemental Interim Compensation Order,” and collectively with the Interim Compensation Order and the Supplemental Interim Compensation Order, the “Administrative Orders,” and collectively with the Amended Local Guidelines and UST Guidelines, the “Guidelines”). Pursuant to the Local Guidelines, a certification regarding compliance with same is annexed hereto as Exhibit “A.”

8. By this Application, KPMG LLP respectfully requests an interim allowance for professional services rendered to the Debtors during the Compensation Period, in the aggregate of \$1,439,122.50, and for reimbursement of expenses incurred in connection with the rendering of such services in the aggregate of \$17,631.00. During the Compensation Period, KPMG LLP professionals and paraprofessionals expended a total of 2,003.10 hours for which compensation is requested. KPMG LLP’s request for compensation is broken down as follows:

Billing Period	Hours Billed	Fees	Expenses	Monthly Total
October 8 through November 30, 2005	679.6	\$143,210.25	\$8,619.00	\$151,829.25
December 1 through December 31, 2005	319.8	110,312.90		113,836.90
January 1 through January 31, 2006	1,003.7	1,185,599.35	5,488.00	1,191,087.35
Total	2,003.10	\$1,439,122.50	\$17,631.00	\$1,456,753.50

9. KPMG LLP is the United States member firm of KPMG International. The KPMG global network encompasses independent professional services practices conducted by separate legal entities throughout the world. KPMG International, a Swiss cooperative, serves as a coordinating entity for a network of member firms operating under the KPMG name. KPMG International is a member-based entity with no

shareholders and no permanent capital. Each of the member firms of KPMG

International ("KPMG Member Firms") is separate and legally distinct.

10. Prior to the Petition Date, KPMG LLP subcontracted with certain other KPMG Member Firms to provide services to the Debtors as set forth in the Engagement Letters. Pursuant to the KPMG Retention Order, during the Compensation Period, KPMG Member Firms have continued to assist KPMG LLP in the provision of services under the Engagement Letters as set forth in the KPMG Retention Application.

11. KPMG LLP charges its fees in these cases in accordance with billing rates and procedures in effect during the Compensation Period. The rates KPMG LLP charges for the services rendered by its professionals and paraprofessionals in these chapter 11 cases are the same rates KPMG LLP charges for professional and paraprofessional services rendered in comparable nonbankruptcy related matters. Such fees are reasonable based on the customary compensation charged by comparably skilled practitioners in comparable nonbankruptcy cases.

12. Pursuant to the UST Guidelines, annexed hereto as Exhibit "B" is a schedule setting forth all KPMG LLP professionals and paraprofessionals who have performed services in these chapter 11 cases during the Compensation Period, the capacities in which each such individual is employed by KPMG LLP, the hourly billing rate charged by KPMG LLP for services performed by such individual, aggregate number of hours expended in this matter and fees billed therefor.

13. Annexed hereto as Exhibit "C" is a schedule specifying the categories of expenses for which KPMG LLP is seeking reimbursement and the total amount for each such expense category.

14. Pursuant to Section II.D of the UST Guidelines, annexed hereto as Exhibit “D” is a summary of KPMG LLP’s time records billed during the Compensation Period, including the utilization of project categories as described below.

15. To the extent that time or disbursement charges for services rendered or disbursements incurred relate to the Compensation Period, but were not processed prior to the preparation of this Application, KPMG LLP reserves the right to request additional compensation for such services and reimbursement of such expenses in a future application.²

Summary of Services

16. In accordance with the Engagement Letters, KPMG LLP has provided such services as KPMG LLP and the Debtors deemed appropriate and feasible in order to advise the Debtors and their subsidiaries and affiliates in the course of these chapter 11 cases, including, but not limited to, the following:

- i. International Executive Services provided to Debtors and its Expatriates assigned to and from the United States, Expatriates assigned to and from non-U.S. countries, employees assigned to the Mexican Border and Trainees/J Visa holders;
- ii. International Tax Process Improvement provided to Debtors to enhance the reliability and efficiency of the international tax reporting process; and
- iii. Transaction Advisory and Other Services

17. The services provided by KPMG LLP to the Debtors are not unnecessarily duplicative of those provided by any other of the Debtors’ professionals, and KPMG LLP

² KPMG will request approval of compensation for services provided by KPMG to the Debtors during the Compensation Period and related expenses under certain supplemental engagement letters set forth in the KPMG Supplemental Application in future fee applications.

has coordinated any services performed at the Debtors' request with the Debtors' other professionals, including financial advisors, accountants, and counsel, as appropriate, to avoid duplication of efforts.

18. The following is a summary of certain of the significant professional services rendered by KPMG during the Compensation Period, as well as the compensation sought for such services.

<u>CATEGORY</u>	<u>HOURS</u>	<u>FEES</u>
International Tax Process Improvement	1,590.9	\$468,470.00
International Executive Services	246.7	926,873.00
Transaction Services	100.6	26,403.00
Travel Time	13.2	1,965.00
Fee Applications and Fee Statements	<u>51.7</u>	<u>15,411.50</u>
Total Hours and Fees	<u>2,003.1</u>	<u>\$1,439,122.50</u>

Description Of Task Codes

19. The following is a more detailed description of the significant professional services rendered by KPMG LLP during the Compensation Period.

(a) Tax Advisory Services

- i. review of and assistance in the preparation and filing of any tax returns;
- ii. advice and assistance to the Debtors regarding tax planning issues, including, but not limited to, assistance in estimating net operating loss carry-forwards, international taxes, and state and local taxes;
- iii. assistance regarding transaction taxes and state and local sales and use taxes;

- iv. assistance regarding tax matters related to the Debtors' pension plans;
- v. assistance regarding real and personal property tax matters, including but not limited to review of real and personal property tax matters, negotiation of values with appraisal authorities, preparation and presentation of appeals to local taxing jurisdictions, and assistance in litigation of property tax appeals;
- vi. assistance regarding any existing or future Internal Revenue Service ("IRS"), state and/or local tax examinations;
- vii. advice and assistance on the tax consequences of proposed plans of reorganization, including, but not limited to, assistance in the preparation of IRS ruling requests regarding the future tax consequences of alternative reorganization structures;
- viii. assistance to the Debtors in modifying the Debtors' tools and processes for collecting data from the Debtors' foreign operations in support of the computation of an income tax provision; and
- ix. other consulting, advice, research, planning or analysis regarding tax issues as may be requested from time to time.

(b) International Executive Services provided to Debtors and its expatriates assigned to and from the United States, Expatriates assigned to and from non-U.S. countries, employees assigned to the Mexican Border and Trainees/J Visa holders

- i. collect tax data;
- ii. calculate annual hypothetical tax withholding;
- iii. prepare required home and host country individual income tax returns during, and one year after, assignment;
- iv. prepare requests for extension of time to file tax return(s)

where required;

- v. prepare US estimated tax vouchers, if required;
- vi. prepare year end withholding calculations;
- vii. reconcile tax advance accounts;
- viii. prepare tax equalization calculations;
- ix. conduct pre-departure and/or post-arrival tax consultation, as requested;
- x. determine and arrange for timely payment of local taxes in the host countries, where applicable;
- xi. conduct repatriation tax consultation sessions for expatriates;
- xii. handle routine correspondence with the IRS and foreign tax authorities, including review of tax assessments; and
- xiii. additional services as requested by the Debtors or its counsel to assist the Debtors regarding its expatriate employees.

(c) Transaction Advisory & Other Services

- i. provide sell-side due diligence services associated with the potential sale of certain businesses or assets of the Debtors;
- ii. provide buy-side due diligence services associated with the potential acquisition of certain businesses or assets by the Debtors;
- iii. accounting advice and assistance provided in conjunction with the preparation of financial information for business operations within the Debtors, as specified by the Debtors; and
- iv. other such functions as requested by the Debtors or its counsel to assist the Debtors in their businesses and reorganization.

(d) Travel Time

Includes time incurred for necessary non-working travel time.

(e) Fee Statements and Fee Applications

Preparation of monthly fee statements and quarterly fee applications.

20. The foregoing professional services performed by KPMG LLP were necessary and appropriate to the administration of the Debtors' chapter 11 cases. The professional services performed by KPMG LLP were in the best interests of the Debtors and other parties-in-interest. Compensation for the foregoing services, as requested, is commensurate with the complexity, importance, and nature of the problems, issues, or tasks involved. The professional services were performed expediently and in an efficient manner.

21. The professional services performed by KPMG LLP on behalf of the Debtors during the Compensation Period required an aggregate expenditure of 2,003.1 recorded hours by KPMG LLP's professionals. Of the aggregate time expended, 257.0 recorded hours were expended by partners of KPMG LLP, 1,746.1 recorded hours were expended by staff of KPMG LLP.

22. During the Compensation Period, KPMG LLP billed the Debtors for time expended by professionals based on hourly rates ranging from \$150.00 to \$760.00 per hour. Allowance of compensation in the amount requested would result in a blended hourly billing rate of approximately \$292.82 (based on 2,003.1 recorded hours for professionals at KPMG LLP's billing rates in effect at the time of the performance of

services).³ As noted above, annexed hereto as Exhibit B is a schedule listing each KPMG LLP professional and paraprofessional who performed services in these cases during the Compensation Period, the hourly rate charged by KPMG LLP for services performed by each such individual and the aggregate number of hours and charges by each such individual.

Actual and Necessary Disbursements of KPMG LLP

23. As set forth in Exhibit “C,” KPMG LLP has disbursed \$17,631.00 as expenses incurred in providing professional services during the Compensation Period. The actual expenses incurred in providing professional services were absolutely necessary, reasonable, and justified to serve the needs of the Debtors, their estates, and creditors and KPMG LLP has made every effort to minimize its disbursements in these cases.

The Requested Compensation Should Be Allowed

24. Section 331 of the Bankruptcy Code provides for interim compensation of professionals and incorporates the substantive standards of section 330 to govern the Court’s award of such compensation. 11 U.S.C. § 331. Section 330 provides that a court may award a professional employed under section 327 of the Bankruptcy Code “reasonable compensation for actual necessary services rendered . . . and reimbursement for actual, necessary expenses.” *Id.* § 330(a)(1). Section 330 also sets forth the criteria for the award of such compensation and reimbursement:

In determining the amount of reasonable compensation to be awarded, the court should consider the nature, the

³ Compensation for International Executive Services that is based on a fixed amount per return as set forth in the Engagement Letters has been excluded from the calculation of the blended hourly rate.

extent, and the value of such services, taking into account all relevant factors, including –

- (A) the time spent on such services;
- (B) the rates charged for such services;
- (C) whether the services were necessary to the administration of, or beneficial to, at the time at which the service was rendered toward the completion of, a case under this title;
- (D) whether the services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed; and
- (E) whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under this title.

Id. § 330(a)(3).

25. The services for which KPMG LLP seeks compensation and the expenditures for which KPMG LLP seeks reimbursement in this Application were necessary for and beneficial to the orderly administration of the Debtors' estates and their rehabilitation and reorganization effort. KPMG LLP worked assiduously to anticipate or respond to the Debtors' needs and assist in the Debtors' chapter 11 processes. These services and expenditures were necessary to and in the best interests of the Debtors' estates and creditors. Accordingly, the compensation requested herein is reasonable in light of the nature, extent, and value of such services to the Debtors, their estates, and all parties in interest.

26. In sum, the services rendered by KPMG LLP were necessary and beneficial to the Debtors' estates and were consistently performed in a timely manner commensurate with the complexity, importance, and nature of the issues involved, and approval of the compensation for professional services and reimbursement of expenses sought herein is warranted.

Conclusion

WHEREFORE, KPMG LLP respectfully requests that the Court: (i) allow KPMG LLP interim compensation for professional services rendered during the Compensation Period in the amount of \$1,439,122.50 and reimbursement for actual and necessary expenses KPMG LLP incurred during the Compensation Period in the amount of \$17,631.00; (ii) direct the Debtors to pay KPMG LLP the total amount of outstanding in connection with KPMG LLP's representation of the Debtors during the Compensation Period; (iii) hold that the allowance of such interim compensation for professional services rendered and reimbursement of actual and necessary expenses incurred be without prejudice to KPMG LLP's right to seek additional compensation for

services performed and expenses incurred during the Compensation Period which were not processed at the time of this Application; and (iv) grant KPMG LLP such other and further relief as is just.

Dated: New York, New York
April 28, 2006

KING & SPALDING LLP

By: /s/ Samuel S. Kohn
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